

~~CENTRAL INTELLIGENCE AGENCY~~

INFORMATION REPORT

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

S-E-C-R-E-T

COUNTRY East Germany

REPORT

SUBJECT **Currency Revalidation Plans**

DATE DISTR. 31 May 1955 25X1

NO. OF PAGES 2

DATE OF INFO

REQUIREMENT NO. RD 25X1

PLACE ACQUIR

REFERENCES

DATE ACQUIRED _____

This is UNEVALUATED Information

THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
THE APPRAISAL OF CONTENT IS TENTATIVE.
(FOR KEY SEE REVERSE)

25X1

1. In late 1954 or early 1955, a group of specialists met [redacted] to examine ways and means to return to circulation the currency being hoarded by the populace. Because of the mistrust of the populace, little use had been made of the various savings accounts offered by the regime. The introduction of savings plans in industrial plants and the appeals to the populace to make use of secret savings accounts proved to be ineffectual. The new currency previously issued in excess of the legal limits and bearing special serial numbers was issued primarily to overcome the shortage of cash caused by hoarding. 25X1
2. In connection with these discussions it was suggested that a currency reform be instituted. This suggestion was rejected by all members as being both politically and economically unfeasible. Agreement was reached, however, on a plan under which by a certain date all currency in the hands of the populace would be turned in for revaluation. Persons presenting currency for revaluation which exceeds an as yet undetermined amount will be forced to deposit the excess amount of currency in mandatory savings accounts. 25X1
3. By this measure it is hoped to draw back into circulation the large amounts of currency held by farmers as a result of profitable dealings on the free market and currency emanating from black market dealings of the populace. 25X1
4. The terminal date for such an action has not been set. It was agreed that it could not be instituted prior to or soon after the Leipzig fair. A decision on the part of the government [redacted] has not been forthcoming. 25X1

Comment:

Although the hoarding of funds by the population may have forced the

~~S-E-C-R-E-T~~

STATE	#	ARMY	#	NAVY	#	AIR	#	FBI		AEC				
-------	---	------	---	------	---	-----	---	-----	--	-----	--	--	--	--

(Note: Washington distribution indicated by "X"; Field distribution by "#").

S-E-C-R-E-T

- 2 -

Notenbank to increase the amount of money in circulation, the circumstances of this increase can scarcely be regarded as inflationary in character. Such hoarding as has developed has occurred because funds which have been acquired in black market operations are difficult to spend inconspicuously, and b) because cash is preferred to low quality and high cost goods available in the HO stores. In either case, hoarding has resulted because cash is preferred to available goods. Inflation, by contrast, implies that money is valued less than available goods, and is characterized by a rapid turnover of money in the haste to dispose of it for goods, as a result of which, the value of the money falls and the price of goods rises. Rather, in the GDR at present, the problem confronting the government is in part the fact that hoarded money tends to divert goods from HO channels into black markets. Furthermore, to the extent that the population has free sums of cash in its possession, state control of the individual is reduced, whereas for the purposes of raising productivity, meeting production plans, and raising norms, the state requires a docile, controlled, proletarian working force, without the means to resist state policy. Revalidation of the currency would thus be a step in the direction of such increased control.

25X1

25X1

S-E-C-R-E-T

25X1